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C O N F I D E N T I A L VILNIUS 000504

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [LH](#)

SUBJECT: ECONOMY MINISTER USPASKICH UNDER FIRE BY THE
OPPOSITION

REF: VILNIUS 444 AND PREVIOUS

Classified By: POL/ECON OFFICER GREGORY L. BERNSTEEN FOR REASONS 1.4(B)
AND (D)

1. (U) SUMMARY. Victor Uspaskich, Economy Minister and leader of the upstart Labor Party, landed in hot water this week. He stands accused of two ethics violations - for using an official trip to Moscow in March to advance his personal business interests, and for excess EU funds received by his businesses. The Seimas will vote next week on proposals to create three separate adhoc commissions to investigate these allegations. END SUMMARY.

2. (U) Lithuania's second largest daily, the conservative-leaning Respublika, has broken two stories regarding alleged ethical violations by Uspaskich in the last two weeks. The first centers on a trip Uspaskich took to Moscow in mid-March. In a meeting with Russian officials, he allegedly proposed a stock transfer from Krekanavos Agrofirma, a Lithuanian agriculture company in which Uspaskich's family has an interest, to a Moscow meat processing business, with the aim of creating a joint venture. In meetings last month in Lithuania with Russian officials this topic, Uspaskich allegedly raised this proposal again. Respublika printed on the front page of its May 12 edition a memorandum of the March meeting in Moscow that it purported to be an internal Russian Government communication. Unnamed members of the opposition parties provided the memo to the press and to the Parliamentary Speaker, Arturas Paulauskas. Uspaskich and Labor Party leaders quickly denounced the document as a forgery, and suggested the opposition Liberal Centrist party is behind the plot. President Valdas Adamkus, through an adviser, said that if the charges are true, he will take a "strong stand." The Russian Foreign Ministry refused to confirm the authenticity of the letter, but one official was quoted as saying he "had heard something about it."

3. (U) The second allegation is that Uspaskich-controlled companies received EU structural funds in excess of the amount they were eligible to receive. The alleged impropriety involves two Uspaskich interests: Krekanavos Agrofirma and Krekanavos Mesa. This charge stems from a report that the State Auditor, Rasa Budbergyte, delivered to the Parliament analyzing activities of the National Payment Agency, which is charged with overseeing disbursement of the funds. News reports say that President Adamkus urged Budbergyte to publicize the report. The Agency approved EU funding for both of these companies, despite the judgment by its own internal audit department that they are related, in which case they must be counted as one recipient. The combined monies received by the companies exceed the ceiling set by the EU, thus jeopardizing future funding for Lithuanian businesses.

4. (C) Three temporary commissions have been proposed to investigate the charges. The Labor Party has proposed a commission aimed at determining the veracity of the letter printed by Respublika. They have also proposed a separate commission to investigate the issues surrounding the National Payment Agency and excess EU funds. The opposition Homeland Union and Liberal Centrists proposed a commission to review the general allegation that Uspaskich used his position to promote his business interests. MP Roma Zakaitiene of the Social Democratic Party, a coalition partner, told us that Parliament will likely vote on May 17 to approve the establishment of these commissions. She said that all parties will be represented on each body, and that at the end of their investigations the Parliament's standing ethics commission will decide if the evidence merits further investigation. She declined to speculate on long-term implications of the charges, saying that the information about the incidents was still too new and incomplete to be judged.

5. (C) COMMENT: The issue of public ethics resonates in Lithuania, as evidenced by the mortal effect that charges of impropriety had on impeached President Rolandas Paksas last year. We do not expect, however, that these charges will bring the Russian-born Uspaskich down. The allegations do, however, provide his opponents, within and beyond the governing coalition, with an opportunity to score some points

against him, with the ultimate objective of containing the influence of the coalition's top vote-getter.

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